

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00

DODE-00 FRB-01 H-02 INR-10 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15 STR-07

ITC-01 ICA-20 SP-02 SOE-02 OMB-01 DOE-15 TRSY-06

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 5977

USDOC WASHDC

USMISSION GENEVA

UNCLAS SECTION 1 OF 3 BUENOS AIRES 4314

PASS EXIM BANK

USMTN

E.O. 11652: N/A

TAGS: ETRD, EFIN, AR

SUBJECT: CHANGES IN A. IMPORT TARIFFS AND FINANCING

REGULATIONS

B. EXPORT TAX AND SUBSIDY RATES

REF: A) BUENOS AIRES 1234, B) 77 BUENOS AIRES 2929

1. GOA HAS ENACTED SERIES OF RESOLUTIONS WHICH SUBSTANTIALLY
REDUCE IMPORT TARIFFS ON MANY CONSUMER AND INTERMEDIATE GOODS.
CONTENTS OF INDIVIDUAL MINISTRY OF ECONOMY RESOLUTIONS, ALL
DATED APRIL 12 OR APRIL 13, 1978, ANNOUNCING TARIFF CHANGES
FOLLOW:

A. RESOLUTION 486 REDUCED TARIFFS ON PREPARED COSMETICS AND
PERFUMES FROM 45 PERCENT TO 25 PERCENT.

B. RESOLUTION 488 REDUCED FROM 55 PERCENT TO 30 PERCENT
TARIFFS ON CARDBOARD BOXES. IN PARTICULAR THOSE USED AS
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CONTAINERS FOR FOOD PRODUCTS AND OFFICE EQUIPMENT.

C. RESOLUTION 489 LOWERED TARIFFS IN TWO STAGES FOR
MANY PRODUCTS NOT SPECIFICALLY LISTED IN THE ARGENTINE
TARIFF SCHEDULE (ESSENTIALLY TARIFF NUMBERS ENDING IN
90 OR 99 UNDER EACH BTN CHAPTER CATEGORY CLASSIFIED AS
"OTHER"). REF A NOTED THAT RESOLUTIONS 191 AND 192
ENACTED EARLIER THIS YEAR REDUCED TARIFFS ON MANY OF

THESE POSITIONS IN BTN CHAPTERS 84 AND 85 IN TWO STAGES; THIS RESOLUTION APPLIES THE SAME PROCEDURE TO OTHER BTN CHAPTERS. ABOUT 95 PERCENT OF THE POSITION ENDING IN ALL BTN CHAPTERS EXCEPT CHAPTERS 84 AND 85 ARE AFFECTED. TARIFFS ON THESE ITEMS WILL BE REDUCED FROM THE 45 TO 90 PERCENT RANGE TO THE 20 TO 30 PERCENT RANGE 60 DAYS AFTER THE RESOLUTION WAS ENACTED. AFTER SEPTEMBER 30, TARIFFS ON THESE ITEMS WILL BE FURTHER REDUCED TO 10 PERCENT. AS IN THE EARLIER RESOLUTIONS, LOCAL PRODUCERS OF GOODS WHICH WERE FORMERLY INCLUDED IN LINE NOS. 90 AND 99 WILL BE ASSIGNED NEW TARIFF POSITIONS AND PROTECTED BY APPROPRIATE TARIFFS. THIS RESOLUTION ALSO ABOLISHES THE IMPORT SUSPENSIONS IN EFFECT FOR "OTHER TRANSPORT VEHICLES" (POSITION 87 02 03 99) "OTHER AUTOMOBILE TYPES USED FOR SPECIAL PURPOSES" (POSITION 87 03 00 99), AND "OTHER TYPES OF CHASSIS" (POSITION 87 04 02 99).

D. RESOLUTION 490 REDUCED TARIFFS ON ALL ITEMS IN BTN CHAPTER 90 (OPTICAL, PHOTOGRAPHIC, MEASURING, AND MEDICAL/SURGICAL INSTRUMENTS AND EQUIPMENT) THAT WERE BETWEEN 50 AND 95 PERCENT TO THE 10 TO 45 PERCENT RANGE. THE DUTY REDUCTIONS FOR ELECTRON MICROSCOPES AND THE COMPLETE RANGE OF MEDICAL APPARATUS AND INSTRUMENTS FROM 65 PERCENT TO 10 PERCENT ARE PARTICULARLY SIGNIFICANT.

E. RESOLUTION 491 REDUCED TARIFFS ON TRICYCLES, BICYCLES, DOLLS AND TOYS, AS WELL AS TENNIS AND HOCKEY UNCLASSIFIED

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EQUIPMENT FROM 95 PERCENT TO 65 PERCENT.

F. TARIFFS IN ALL ITEMS IN BTN CHAPTER 92 INCLUDING MUSICAL INSTRUMENTS, RECORD PLAYERS, DICTAPHONES, TAPE RECORDERS, RECORDS, TAPES AND CASSETTES WERE REDUCED BY RESOLUTION 492. ALL INSTRUMENTS WERE LOWERED FROM 65 PERCENT TO 25 PERCENT, EXCEPT FOR GRAND PIANOS WHICH WERE LOWERED FURTHER TO 15 PERCENT. THE OTHER ITEMS WERE LOWERED FROM THE 65 TO 90 PERCENT RANGE TO 40 PERCENT.

G. RESOLUTION 493 LOWERED TARIFFS ON ITEMS IN BTN CHAPTERS 94 (FURNITURE, INCLUDING THAT USED FOR MEDICAL PURPOSES, AND BED ARTICLES) AND 95 (MATERIALS SUITABLE FOR MOLDING, CARVING, OR BEING WROUGHT) FROM THE 65 PERCENT TO 95 PERCENT LEVEL TO 40 PERCENT.

H. RESOLUTION 496 REDUCED TARIFFS ON MOLASSES FROM 20 PERCENT TO 10 PERCENT.

I. TARIFFS ON DRY, NON-TUBULAR CELL BATTERIES WERE REDUCED FROM 55 PERCENT TO 15 PERCENT BY RESOLUTION 503.

J. RESOLUTION 506 LOWERED TARIFFS ON AROMATIC DISSOLVENTS, PHENOL PRODUCTS, TAR, PARAFFIN, GAUZE AND BANDAGES, PREPARED EXPLOSIVES, FUSES FOR EXPLOSIVES, AND FIRECRACKERS USED FOR INDUSTRIAL, AGRICULTURAL, OR

MINING PURPOSES FROM BETWEEN 50 AND 70 PERCENT TO THE 30 TO 40 PERCENT LEVEL. ALSO, THIS RESOLUTION LOWERED TARIFFS ON NATURAL OR GRANULAR ABRASIVES FROM 60 PERCENT TO 35 PERCENT.

K. RESOLUTION 507 LOWERED TARIFFS ON MANY ITEMS IN BTN CHAPTER 44 (WOOD AND WOOD PRODUCTS). DUTIES ON LOGS AND BOARDS WERE LOWERED FROM 60 PERCENT TO 20 PERCENT AND TARIFFS ON WOOD PRODUCTS SUCH AS LAMINATED WOOD, PICTURE FRAMES, BOXES, SCAFFOLDING, AND SHUTTERS WENT FROM A 50 TO 95 PERCENT RANGE TO A 30 TO 45 PERCENT RANGE.

L. RESOLUTION 509 LOWERED TARIFFS ON SHOE PARTS (EXCEPT THOSE USED IN MAKING SOLES) FROM 95 PERCENT TO 45 PERCENT.

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M. TARIFFS ON GUNPOWDER VARIETIES WERE LOWERED FROM 70 TO 40 PERCENT BY RESOLUTION 510.

N. RESOLUTION 511 LOWERED TARIFFS ON GLASS TUBES FROM FLUORESCENT LIGHTS, AND FOR CATHODE RAY TV TUBES FROM THE 40 TO 50 PERCENT RANGE TO THE 20 TO 30 PERCENT RANGE. ALSO, TARIFFS ON GLASS FLASKS USED TO MEASURE

RADIOPAQUE SUBSTANCES WERE LOWERED FROM 95 PERCENT TO 60 PERCENT AND THOSE ON SMALL GLASS JARS AND GLASS KITCHENWARE ITEMME WERE LOWERED FROM 40 PERCENT TO 20 PERCENT.

O. RESOLUTION 512 LOWERS TARIFFS ON SPECIAL USE LAMPS SUCH AS THOSE USED ON OR IN AUTOMOBILE ENGINES, RADIO DIALS, AIRPLANES AND AIRPORT RUNWAYS, ELECTROMEDICAL EQUIPMENT, CHRISTMAS TREES, AND FOR OTHER EQUIPMENT FROM THE 60 TO 80 PERCENT RANGE TO THE 30 TO 40 PERCENT RANGE. NORMAL THREAD LIGHT SOCKETS FOR INCANDESCENT LAMPS, FLUORESCENT TUBES, AND INFRA-RED AND ULTRA-VIOLET LAMPS, MERCURY VAPOR LAMPS AND TUBES, AND ARE LAMPS HAVE HAD THEIR TARIFFS REDUCED FROM THE 50 TO 70 PERCENT RANGE TO THE 30 TO 40 PERCENT RANGE.

P. UNDER THE TERMS OF RESOLUTION 513, TARIFFS FOR UNCLASSIFIED

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PUSH-BUTTON SWITCHES FOR INDUSTRIAL USES, PENS AND OTHER WRITING MATERIALS, STATIONARY SUPPLIES, THERMOS BOTTLES, CIGARETTE LIGHTERS, AND PUPPETS AND MANNEQUINS HAVE BEEN REDUCED FROM 95 PERCENT TO 55 PERCENT. ALSO, REPRODUCTIONS OF ART ENTER AT A 40 PERCENT INSTEAD OF A 65 PERCENT TARIFF.

Q. RESOLUTION 519 LOWERED FROM 55 PERCENT TO 35 PERCENT TARIFFS ON UNREFINED STRIP SPECIALTY STEEL NOT USED FOR RAZOR BLADES, CUTTING EDGES ON TOOLS OR KNIVES, PEN POINTS, OR MEASURING TAPES. ALSO, DUTIES ON CARBON COMPONENTS FOR BATTERIES HAVE BEEN LOWERED FROM 70 PERCENT TO 15 PERCENT.

R. DUTIES ON SOCKS AND STOCKINGS HAVE BEEN REDUCED FROM 95 PERCENT TO 55 PERCENT BY RESOLUTION 516.

S. RESOLUTION 520 LOWERED DUTIES ON BTN CHAPTER 63 ITEMS, USED CLOTHES AND RAGS FROM THE 70 TO 90 PERCENT RANGE TO 15 PERCENT.

HOWEVER, RESOLUTION 517 RAISED TARIFFS, ON TYPES OF SYNTHETIC LATEX USING ESTYRENE BUTADYNE FROM 15 PERCENT TO 40 PERCENT. ALSO, RESOLUTION 505 INCREASED TARIFFS ON LEAD AND PROCESSED LEAD SHAPES FROM THE 20 TO 30 PERCENT RANGE TO THE 25 TO 35 PERCENT RANGE. THIS RESOLUTION ALSO INCREASED TARIFFS ON TIN BARS, SHAPES, AND ORE, AS WELL AS ON PURE AND PROCESSED CADMIUM, FROM 30 TO 35 PERCENT. ALSO, THE TARIFF ON CACAO BARK WAS RAISED FROM 5 TO 10 PERCENT BY RESOLUTION 514.

2. THE ARGENTINE CENTRAL BANK HAS ALSO ENACTED RESOLUTION 733, WHICH WAS EFFECTIVE APRIL 17. UNDER ITS TERMS, WHICH APPLY ONLY TO NON-CAPITAL GOODS, THE REPAYMENT PERIOD FOR SUPPLIER CREDITS ONLY IS NOT REGULATED IN TERMS ON MINIMUM OR MAXIMUM LENGTH. HOWEVER, IT CANNOT

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BE EXTENDED PAST THE PERIOD AGREED. CREDITS GRANTED BY LOCAL OR FOREIGN BANKS OR THIRD PARTY CREDIT AGENCIES HAVE A MAXIMUM 180 DAY REPAYMENT PERIOD; BEFORE THESE LOANS ARE RECEIVED A 10 PERCENT NON-INTEREST BEARING PESO DEPOSIT MUST BE PLACED WITH THE CENTRAL BANK, ACCORDING TO THE TERMS OF CENTRAL BAK RESOLUTION 741 DATED MAY 11, 1978. LOANS FROM OFFICIAL NATIONAL OR INTERNATIONAL FINANCIAL INSTITUTIONS ARE EXEMPTED FROM THE DEPOSIT REQUIREMENT. IF BORROWERS CANNOT COMPLY WITH THE REPLAYMENT PERIODS, THEY CAN SEEK REFINANCING FROM THE SUPPLIERS OR FROM A BANK. HOWEVER, THE MINIMUM TERM FOR THESE LOANS IS 24 MONTHS AND, UNDER THE TERMS OF CENTRAL BANK RESOLUTION 741 MENTIONED ABOVE, BORROWERS MUST DEPOSIT AN ADDITIONAL 14 PERCENT OF THE AMOUNT BORROWED WITH THE CENTRAL BANK FOR THIS PERIOD WITHOUT RECEIVING INTEREST. RESOLUTION 733 ALSO STATES THAT INTEREST RATES FOR BOTH SUPPLIER CREDITS AND BANK LOANS MUST BE IN LINE WITH THOSE ESTABLISHED BY THE CENTRAL BANK. THE REPAYMENT PERIOD FOR BANK LOANS IS CHANGED FROM THOSE OF RESOLUTION 688, REPORTED ON IN REF B, WHICH REQUIRED A MINIMUM REPAYMENT PERIOD OF 24 MONTHS. THE REPAYMENT PERIODS FOR SUPPLIER CREDITS ARE CHANGED FROM THOSE CONTAINED IN CENTRAL BANK RESOLUTION 2060 OF MAY 2, 1971, WHICH FIXED THE REPAYMENT PERIOD AT A MINIMUM OF SIX MONTHS.

3. COMMENTS: THESE TARIFF REEUCTION, AS THOSE DECREED IN THE RECENT PAST, WERE ENACTED TO HOLD DOWN THE PERSISTENT INCREASE IN DOMESTIC PRICES BY ALLOWING MORE IMPORTANT INDUCED COMPETITION. THE GOA RESPONDED TO THE 9.4 PERCENT RISE IN THE COST OF LIVING INDEX IN MARCH BY ENACTING THESE RESOLUTIONS; ACCORDING TO THE GOA, THE PRODUCTS LISTED IN THE RESOLUTIONS WERE OVERLY PROTECTED AND THEIR PRICES WERE RISING EXCESSIVELY.

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THE TARIFF REDUCTIONS FOR ITEMS INCLUDED IN LINES 90
OR 99 OF EACH BTN CHAPTER SUBGROUPING - BASICALLY
COVERING GOODS THAT ARE NOT PRODUCED IN ARGENTINA -
ARE INTENDED TO STIMULATE USE OF THESE GOODS WHEN
THEIR USE COULD LOWER THE COST OF FINISHED PRODUCTS.
HOWEVER, THE IMPOSITION OF SEPARATE TARIFFS FOR SPECIFIC
LOCALLY PRODUCED GOODS FORMERLY INCLUDED IN LINES 90
OR 99 MEANS THAT ONLY IMPORTS OF HIGHLY SPECIALIZED
GOODS REMAINING WITHIN LINES 90 OR 99 WILL INCREASE SIG-
NIFICANTLY. NONETHELESS, WITH THE ADOPTION OF THESE
RESOLUTIONS, A LARGE PERCENTAGE OF TARIFFS ON NON-
CAPITAL GOODS HAVE BEEN REDUCED TO 50 PERCENT AND BELOW.
FURTHER TARIFF REDUCTIONS CAN BE EXPECTED, LEADING TO
AN OVERALL RESTRUCTURING OF THE TARIFF LEVELS. THE
ELIMINATION OF THE IMPORT SUSPENSION OF OTHER SPECIAL
TYPE VEHICLES AND MOTOR VEHICLE CHASIS DECREED BY
RESOLUTION 489 WILL NOT APPRECIABLY INCREASE IMPORTS.
HOWEVER, THE GOA IS DRAFTING A LAW WHICH WOULD
ELIMINATE TOTALLY THE BANS ON IMPORTING MOTOR VEHICLES
AND THEIR PARTS. THIS LAW WILL PROBABLY BE
ISSUED IN THE NEXT FEW MONTHS.
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CENTRAL BANK RESOLUTION 733 WAS ENACTED TO DISCOURAGE
OVERSEAS BORROWING FOR WORKING CAPITAL AND NON-CAPITAL
GOOD IMPORTS. THE GOA DOES NOT WANT A FURTHER BUILD
UP OF FOREIGN RESERVES AT A TIME WHEN IT IS ATTEMPTING
TO SLOW MONETARY EXPANSION TO COMBAT INFLATION. TO
DISCOURAGE THE NET INFLOW OF FOREIGN CAPITAL, WHICH
HAS BEEN RELATIVELY CHEAP DUE TO THE SPREAD BETWEEN
DOMESTIC AND OVERSEAS INTEREST RATES, THE ARGENTINE
GOVERNMENT HAS DRASTICALLY CURTAILED THE TIME LIMIT
FOR REPAYING BANK AND OTHER CREDIT AGENCY LOANS AND
FORBIDDEN ANY EXTENSION OF TIME TO REPAY FOREIGN
SUPPLIER CREDITS. THE NET EFFECT IS TO REDUCE BORROWING
FOR IMPORTS WHICH ARE CONSIDERED RELATIVELY NON-ESSENTIAL,

CONSISTENT WITH OTHER TIGHT MONETARY POLICIES IN EFFECT
TO CURTIAL INFLATION.

4. EXPORTS - RESOLUTION 546 OF THE MINISTRY OF ECONOMY
DATED APRIL 25, 1978 REDUCED THE EXPORT TAX ON FISH
FROM 20 TO 15 PERCENT. A 5 PERCENT REBATE HAS BEEN
GRANTED FOR EXPORTS OF FISHMEAL, FISH FILLETS IN
PACKAGES WEIGHING MORE THAN ONE KOLOGRAM, SALTED FISH
WITH UP TO 30 PERCENT MOISTURE, MOLLUSKS WITHOUT VALVES,
ANCHOVIES, AND PROCESSED CRUSTACEANS. ALSO, THE
RESOLUTION ELIMINATES EXPORT TAXES FOR PET FISH AND
OTHER FISH EXPORTED LIVE, FROZEN FISH EXPORTED WHOLE,
SALTED FISH WITH MORE THAN 30 PERCENT MOISTURE, AND
FRESH SHELLFISH. THE PURPOSE OF THESE CHANGES IS TO
COMPENSATE FOR INCREASED PRODUCTION COSTS AND INTERNAL
TAXES.

5. COPIES OF ALL RESOLUTIONS METNIONED ABOVE WILL BE
POUCHED TO THE DEPARTMENT OF COMMERCE, ATTENTION BRAZIL/
RIVER PLATE GROUP.
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